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Message Text

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13
ACTION EA-14

INFO OCT-01 ISO-00 AGR-20 EB-11 SWF-02 COME-00 CIAE-00

DODE-00 PM-07 H-03 INR-10 L-03 NSAE-00 NSC-07 PA-04

RSC-01 PRS-01 SP-03 SS-20 USIA-15 TRSE-00 STR-08

OMB-01 SAM-01 SAJ-01 DRC-01 NSCE-00 HEW-08 /142 W
---------- 115111
P 190435Z APR 74
FM USLO PEKING
TO SECSTATE WASHDC PRIORITY 1673
INFO AMCONSUL HONG KONG PRIORITY

C O N F I D E N T I A L PEKING 0654

E.O. 11652: GDS
TAGS: EAGR ETRD CH
SUBJECT: PRESS SPECULATION ABOUT US CORN SHIPMENTS

REF: STATE 079620

SUMMARY: USLO HAS NO INFORMATION THAT "CORN BLIGHT" HAS INTERFERED WITH US CORN SHIPMENTS TO CHINA. WE ARE AWARE THAT DREYFUS WAS ASKED IN FEBRUARY TO SHIP LOWER MOISTURE CONTENT CORN TO CHINA AND MAY HAVE POSTPONED SOME SHIPMENTS TO DO SO. DREYFUS WAS ALSO ASKED TO GUARANTEE THAT ITS SHIPMENTS OF US CORN TO CHINA WOULD BE ENTIRELY FREE OF A SUBSTANCE KNOWN AS ALPHA TOXIN. DREYFUS REFUSED TO PROVIDE THE GUARANTEE WHEN IT FOUND THAT USDA COULD NOT PROVIDE CERTIFICATION TO BACK UP A DREYFUS GUARANTEE. IN OUR LAST TALKS WITH DREYFUS REPRESENTATIVE MARQUOT, HE TREATED THE NEITHER MATTER AS A SERIOUS PROBLEM FOR US-CHINA CORN TRADE. END SUMMARY.

1. USLO HAS FOLLOWING INFORMATION TO ADD TO REFTEL WHICH MAY SHED LIGHT ON PRESS REPORTS OF "BLIGHT" IN US CORN SHIPMENTS TO CHINA. THE INFORMATION CAME FROM DREYFUS REPRESENTATIVE MARQUOT WHEN HE WAS IN PEKING
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IN MARCH FOR TALKS ON THE TCK WHEAT SMUT PROBLEM. WE

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DID NOT REPORT THIS AT THE TIME, SINCE MARQUOT DID NOT
PROVIDE FULL INFORMATION AND DID NOT SEEM PARTICULARLY
CONCERNED ABOUT THE TWO ISSUES INVOLVED.

2. AT VARIOUS TIMES, MARQUOT SAID, THE CHINESE HAVE
COMPLAINED TO DREYFUS ABOUT HIGH MOISTURE CONTENT IN
DREYFUS CORN DELIVERIES TO THE PRC. DREYFUS NORMALLY
GUARANTEES 15 PERCENT MOISTURE CONTENT IN ITS CORN, AND
THIS WAS THE CASE IN ITS CONTRACTS WITH THE PRC. IN
FEBRUARY 1974, THE CHINA NATIONAL CEREALS, OILS AND
FOODSTUFFS IMPORT AND EXPORT CORPORATION (CEROILFOOD)
CALLED DREYFUS REPRESENTATIVE JOHN ANTONIUS TO PEKING AND ASKED
THAT DREYFUS REDUCE ITS MOISTURE CONTENT BELOW 15 PERCENT ON FUTURE
SHIPMENTS TO CHINA. ANTONIUS REPLIED THAT DREYFUS WAS
NOT BOUND BY CONTRACT TO DO THIS BUT WOULD TRY HENCEFORTH
TO SUPPLY ONLY CORN OF 14 OR 14.5 PERCENT MOISTURE
CONTENT. HE INFORMED CEROILFOOD THAT IN ORDER TO MAKE
PREPARATIONS TO SHIP LOWER MOISTURE CONTENT CORN, DREYFUS WOULD
HAVE TO POSTPONE ALL CORN SHIPMENTS SCHEDULED IN FEBRUARY AND MARCH
UNTIL APRIL. ACCORDING TO MARQUOT, CEROILFOOD DID NOT RESPOND
TO ANTONIUS' OFFER, AND IT IS NOT CLEAR TO US WHETHER
DREYFUS DECIDED TO PUT ITS PLAN I TO EFFECT. IF DREYFUS
DID GO AHEAD WITH THE PLAN, THE REQUIRED POSTPONEMENT
OF DELIVERIES MIGHT HELP EXPLAIN THE NYT STORY OF APRIL 12.

3. MARQUOT SAID THAT THE CHINESE DESIRE FOR LOWER
MOISTURE CONTENT STEMMED FROM THE FACT THAT SOME OF
THE DREYFUS CORN, BY THE TIME IT WAS UNOADED IN PRC
PORTS, HAD DEVELOPED MOLD. THE CHINESE DID NOT LIKE
THIS, SINCE THEY BUY CORN FOR HUMAN CONSUMPTION, NOT
AS AN ANIMAL FEED. THEY JUSTIFIED THEIR BELATED REQUEST
FOR LOWER MOISTURE CONTENT BY SAYING THAT "UNTIL RECENTLY,"
THEY HAD NOT BOUGHT US CORN AND THAT THEY
WERE NOT FULLY FAMILIAR WITH IT WHEN THEIR CONTRACTS
WITH DREYFUS WERE SIGNED. (CHINA HAS BEEN IMPORTING
US CORN SINCE THE FALL OF 1972.)

4. AT SOME TIME AFTER SIGNING THEIR CONTRACTS WITH DREYFUS,
THE CHINESE ALSO ASKED THE US FIRM TO GUARANTEE THAT
ITS CORN SHIPMENTS TO THE PRC WOULD BE FREE OF A SERIOUSLY
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TOXIC SUBSTANCE KNOWN AS ALPHA TOXIN (POSSIBLY ERWINIAN
STEWARTII?). IN RESPONSE, DREYFUS ASKED USDA IF IT COULD
PROVIDE CERTIFICATION THAT DREYFUS CORN WAS ALPHA TOXIN
FREE WHEN IT LEFT THE USA. USDA SAID IT COULD NOT PROVIDE
SUCH CERTIFICATION, AND DREYFUS THEREFORE TOLD CEROILFOOD
THAT IT WAS UNABLE TO PROVIDE THE REQUESTED GUARANTEE,
NOR WAS IT CONTRACTUALLY BOUND TO DO SO. THE MATTER
ENDED THERE, AND THE CHINESE CONTINUED TO ACCEPT

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DREYFUS SHIPMENTS. ACCORDING TO MARQUOT, ANOTHER US SUPPLIER, BUNGEE, MAY HAVE GIVEN CEROILFOOD AN ALPHA TOXIN FREE GUARANTEE.

5. IT SHOULD BE EMPHASIZED THAT MARQUOT MENTIONED THE ABOVE MATTERS ONLY IN PASSING, DURING DISCUSSIONS ABOUT TCK SMUT. HE DID NOT SEEM TO VIEW THESE ISSUES AS A SERIOUS PROBLEM FOR US-CHINA CORN TRADE, NOR DID HE SEE A CONNECTION BETWEEN THEM AND THE TCK WHEAT SMUT CONTROVERSY. USLO AGREES WITH PARA 5 THAT THE CONGEN CAN LEGITIMATELY SAY THAT IT HAS NO INFORMATION ON A "CORN BLIGHT PROBLEM", SINCE TO OUR KNOWLEDGE NO SUCH SPECIFIC PROBLEM EXISTS, NOR HAS IT INTERFERED WITH US SHIPMENTS TO CHINA. WE WOULD NATURALLY PREFER THAT THE DETAILS PROVIDED ABOVE NOT BE PASSED TO THE PRESS, SINCE THEY WERE GIVEN IN CONFIDENCE BY MARQUOT.
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Copy: SINGLE
Draft Date: 19 APR 1974
Decaption Date: 01 JAN 1960
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Disposition Action: RELEASED
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